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C O N F I D E N T I A L SECTION 01 OF 02 BAKU 000915

SIPDIS

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TAGS: [PGOV](#) [PREL](#) [AJ](#) [TX](#) [ENRG](#)  
SUBJECT: AZERBAIJAN FOREIGN MINISTER PROMOTES TURKMEN GAS  
DEAL, EXPLAINS INCIDENT WITH TURKMEN VESSEL

Classified By: Ambassador Anne E. Derse, Reasons 1.4 (b,d)

¶1. (C) SUMMARY: In a September 12 meeting with Special Envoy for Eurasian Energy Diplomacy C. Boyden Gray, GOAJ FM Mammadyarov said that the GOAJ was encouraging Turkey to purchase gas from Turkmenistan at the Turkmen border. He explained that the April Caspian incident in which GOAJ vessels confronted Turkmen ships was due to the Turkmen vessels' misunderstanding as to where they actually were. Commercial development of the disputed Serdar-Kyapaz offshore field remains distant, as does a bilateral agreement on Caspian Sea delimitation. END SUMMARY.

¶2. (U) On September 12 Special Envoy for Eurasian Energy Diplomacy C. Boyden Gray, Assistant Secretary of Energy Katharine Fredriksen, Eurasian Energy Coordinator Ambassador Steve Mann, and Ambassador Derse met with GOAJ FM Elmar Mammadyarov, with EnergyOff as notetaker.

GOTX-GOT GAS DEAL  
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¶3. (C) Mammadyarov said that when President Aliyev met recently with Turkish PM Erdogan, Aliyev had suggested that Turkey seek to buy Turkmen gas at the border, either via the existing 1998 bilateral contract, or via a new Sales and Purchase Agreement. Mammadyarov heard that later Erdogan instructed Energy Minister Guler to pursue this idea. Mammadyarov discounted the possibility that GOTX gas for Turkey might come from the Sardar-Kyapaz (S-K) offshore field (located in disputed waters), saying that Western energy companies would find it "too risky" to develop this field until the related bilateral delimitation and ownership issues were settled. Even (Malaysia's) Petronas, whose Block One (aka "Livanov") field is close to S-K and hence could develop it relatively easily, "knows enough to stay away from S-K." However, the GOTX wishes to "push Petronas towards S-K" even though the geology of the two fields is different and separate.

APRIL OFFSHORE INCIDENT  
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¶4. (C) Mammadyarov said the GOAJ had "gotten an earful" from the GOTX about the April offshore incident where the GOTX claimed that Azerbaijani vessels threatened GOTX vessels in GOTX waters. Mammadyarov claimed that what actually happened was that Petronas was moving its rig at the same time that the Buried Hill energy company was shooting seismic (shallow water gas exploration) with a leased Russian vessel. Azerbaijan received information that there were GOTX vessels in disputed waters, and Mammadyarov got in touch with his GOTX counterpart, FM Rashid Meredov. Meredov faxed Mammadyarov the coordinates of the GOTX vessels' location, who forwarded them to both SOCAR and to the GOAJ Border

Guard.

15. (C) The GOAJ Boarder Guard then informed Mammadyarov that the GOTX vessels were not in fact at the reported coordinates, which were coordinates for the Livanov (Block One) field. Mammadyarov responded to GOTX FM Meredov that were the GOTX vessels in fact at the location designated by the coordinates there would be no problem, since those coordinates were in undisputed GOTX waters. However, the vessels were in fact west of these coordinates, in disputed waters. After Mammadyarov told this to the GOTX FM, the vessels moved eastwards into undisputed GOTX waters. While all this was happening, the GOAJ dispatched its own vessels to the disputed area, informing the GOTX vessels via direct communication that they were in disputed waters. In retrospect, Mammadyarov thought it likely that the faxed coordinates were provided to Muradov by Petronas, with Muradov not independently verifying that the vessels were in fact at these coordinates.

#### COMMERCIAL S-K DEVELOPMENT

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16. (C) Speaking more generally, Mammadyarov said that Berdimuhamedov should realize that joint commercial development of the S-K field is the "only way" this field will be developed. The GOTX proposal that it renounce its ACG claims in exchange for the GOAJ renouncing any S-K claims wasn't "realistic," especially given the presence of IOCs already developing the field. Regardless of the demarcation criteria being used, the GOAJ had a percentage of S-K. The

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current GOAJ proposal for solving S-K was "a face-saving, commercial approach," and the GOTX should not seek to "politicize the issue." The two countries should develop S-K jointly and conclude overall bilateral delimitation later. Azerbaijan position is based on the same principles Russia and Kazakhstan used to delimit, i.e. an opposing points median line. In this regard, Mammadyarov said he recently told FM Meredov that the GOTX should "be reasonable," that delimitation was becoming "political" with "too many eyes and ears" involved, and that the two countries should focus on joint commercial development. Meredov said he would "think about it." Mammadyarov said that Meredov should forward the proposal to Berdimuhamedov, with Meredov responding that if he did so, "Berdimuhamedov won't accept it."

17. (C) Mammadyarov said that getting GOTX to sell gas westwards will take time, although he thought that Berdimuhamedov would soon recognize the advantages to diversifying exports westwards. Although Livanov has gas, Petronas needs to start drilling, and then the decision needs to be made where to send the approximately seven to eight bcm/a the field is expected to produce. Berdimuhamedov is focused on S-K because he wants this gas "on hand" before he decides where to sell/send Block One gas. There is also the question of "how much gas Berdimuhamedov wants to leave in the ground," for future exploitation.

#### AZERI PERCEPTIONS OF THE TURKMEN

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18. (C) Mammadyarov agreed that despite an often contentious bilateral relationship, Berdimuhamedov has sincere esteem for President Aliyev, and is aware of how well Azerbaijan has handled its energy development. When Berdimuhamedov visited Baku, he finished a State dinner at the Muqam Restaurant at three A.M., he then walked the streets of Baku "taking notes on how to change Ashgabat."

19. (C) Mammadyarov agreed that there was serious Russian pressure on Turkmenistan, but added that unlike Kazakhstan, it did not share a common border with Russia, which mediated the amount of pressure. If Berdimuhamedov diversifies his energy exports, it will be both to his commercial and

political interest. And diversifying westwards is the most preferable direction, for both political and commercial reasons. Mammadyarov repeated that it was very important to invite Berdimuhamedov to as many European conferences and meetings as possible, so that he realizes that Turkmenistan cannot develop its hydrocarbon sector alone.

¶10. (C) On his recent trip to Moscow to meet FM Lavrov, Mammadyarov said that it was "interesting with respect to Georgia," in that Russia has realized that it cannot keep its troops in their present positions. Mammadyarov was unclear as to what the EU monitoring mandate would be, and whether it would be allowed to deploy its troops in Abkhazia and South Ossetia, or just in the buffer zones.

¶11. (C) COMMENT: FM Mammadyarov's explanation of the April offshore incident, which he has offered several times before and which has reportedly so exorcised the GOTX, seems plausible. Whatever the facts of the matter, it was a bump in the relationship, and there is no doubt that, despite up and downs, the bilateral relationship has improved since the Heydar Aliyev-Niyazov days. However, additional work needs to be done to improve trust and goodwill, particularly in terms of pressing forward with a bilateral delimitation agreement and a resolution to Serdar-Kyapaz.

¶12. (U) SE Gray did not clear on this cable.  
DERSE